

Message Text

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PAGE 01 STATE 056408
ORIGIN AF-10

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 OPIC-03 AID-05
XMB-02 INT-05 DOE-11 SOE-02 PA-01 USIA-06 CIAE-00
INR-10 NSAE-00 DODE-00 L-03 SS-15 NSC-05 SP-02
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APPROVED BY AF/C:LDJUNIOR
-----125394 061435Z /43
P 061409Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY KINSHASA PRIORITY

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E.O. 11652: N/A

TAGS: CG, ZA, PE, EMIN

SUBJECT: REPORTED PLANS TO CUTBACK COPPER PRODUCTION

1. FOLLOWING ARE EXCERPTS OF ARTICLE WHICH APPEARED ON
PAGE 20 OF WALL STREET JOURNAL OF MARCH 3 ENTITLED:
PERU, ZAIRE, ZAMBIA PLAN CUTBACK IN COPPER
PRODUCTION TO PROP PRICE.

QUOTE WHILE US COPPER PRODUCERS ARE CUTTING THEIR
DOMESTIC PRICE FOR THE RED METAL, THREE MAJOR FOREIGN
PRODUCERS - PERU, ZAIRE AND ZAMBIA - HAVE ANNOUNCED PLANS
FOR A 15 PER CENT PRODUCTION CUTBACK DESIGNED TO PROP
SAGGING WORLD PRICES.

THE FOREIGN PRODUCERS' MOVE IS LESS SIGNIFICANT THAN IT
SEEMS, ACCORDING TO US AND PERUVIAN SOURCES. THE AFRICAN
NATIONS WOULD HAVE HAD TROUBLE MAKING 1977 OUTPUT THIS
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YEAR ANYWAY, AND PERU STILL MAY EXPORT MORE COPPER THIS
YEAR THAN LAST, THEY SAY. ON THE NEW YORK COMMODITY
EXCHANGE, COPPER FUTURES ROSE ALMOST A CENT A POUND, BUT
TRADERS WERE SKEPTICAL ABOUT THE EFFECTIVENESS OF THE
FOREIGN PRODUCERS' PLANS.

YESTERDAY, A SPOKESMAN FOR ZAIRE'S METALS MARKETING

COMPANY, KNOWN AS SOZACOM, SAID IN BRUSSELS THAT HIS COUNTRY HAD AGREED WITH ZAMBIA AND PERU TO CURTAIL COPPER OUTPUT BY 15 PER CENT EFFECTIVE IMMEDIATELY. THE MOVE HAD BEEN CONTEMPLATED BY THE THREE NATIONS FOR SOME TIME, BUT PERU HAD BEEN RELUCTANT TO TAKE PART.

US INDUSTRY SOURCES SAY PERU'S PARTICIPATION IN THE PACT IS CLEARLY THE MOST SIGNIFICANT ASPECT OF THE LATEST ANNOUNCEMENT. IT IS WIDELY KNOWN THAT COPPER PRODUCTION IS DUE TO DECLINE IN BOTH ZAMBIA AND ZAIRE THIS YEAR FOR REASONS UNRELATED TO ANY AGREEMENT. THESE REASONS INCLUDE MOUNTING SOCIAL UPHEAVAL IN THE AFRICAN COUNTRIES, WHICH HAS ACCELERATED THE EXODUS OF SKILLED EUROPEAN MINING ENGINEERS, AND THE IMPACT OF MINE DAMAGE BROUGHT ABOUT BY IMPROPER MINING METHODS IN RECENT YEARS.

QUOTE: COPPER PRODUCTION IS GOING TO FALL SIGNIFICANTLY IN BOTH ZAMBIA AND ZAIRE, AND THEY'RE JUST TRYING TO MAKE IT LOOK LIKE THAT'S WHAT THEY INTENDED, UNQUOTE SAID ONE SENIOR EXECUTIVE AT A MAJOR US COPPER-MINING CONCERN. QUOTE BUT A PERUVIAN CUTBACK WOULD BE ANOTHER MATTER. UNQUOTE HE SAID.

SOME US SOURCES ARE INCLINED TO AGREE THAT THE CUTS WILL BE MEANINGFUL. QUOTE I THINK THIS TIME THEY MEAN BUSINESS, UNQUOTE SAID JOSEPH ZIMMERMAN, VICE PRESIDENT LIMITED OFFICIAL USE

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OF MILES METALS CORP, OF NEW YORK. QUOTE THEY'VE COME TO REALIZE THEY'VE BEEN HURTING THEMSELVES WITH HIGH PRODUCTION AND EXPORTS, UNQUOTE HE SAID, RECALLING THAT A PREVIOUS CUTBACK PLAN BY THE THREE NATIONS PLUS CHILE IN 1974 AND 1975 HAD LITTLE DISCERNIBLE EFFECT.

SEPARATE CONFIRMATION OF ZAMBIAN INTENTIONS WASN'T AVAILABLE, BUT THE ASSOCIATED PRESS REPORTED THAT GOVERNMENT-CONTROLLED NCHNANGA CONSOLIDATED COPPER MINES HAD SUSPENDED OPERATIONS AT ONE OF ITS THREE MINDOLA ORE BODIES. THE MOVE WAS DESCRIBED AS THE LATEST IN A SERIES OF ZAMBIAN PRODUCTION CUTBACKS. KENNETH KAUNDA, ZAMBIA'S PRESIDENT, HAS WARNED THAT OTHER CLOSINGS ARE IMMINENT, THE AP SAID. THE LATEST CUTBACK AFFECTS ABOUT 50,000 TONS OF COPPER A YEAR, US SOURCES SAID. UNQUOTE

2. AS SOME OF THE INFORMATION AND VIEWS EXPRESSED DO NOT ENTIRELY ACCORD WITH WHAT WE HAD THOUGHT TO BE

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THE SITUATION IN ZAIRE COPPER INDUSTRY, REQUEST

EMBASSY'S COMMENTS.

3. WOULD APPRECIATE YOUR REACTIONS TO ARTICLE BY
OPENING OF BUSINESS, TUESDAY, MARCH 7, WASHINGTON
TIME, IN ORDER THAT WE MIGHT SHARE THESE WITH CITIBANK
WHICH WILL BE HOST TO A SEMINAR FEATURING PLANNING
MINISTER MULUMBA AT 11:00 A.M., FOLLOWED BY A LUNCHEON
FRIEDMAN OF CITIBANK IS GIVING ON THAT DAY. VANCE

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INFO OCT-01 ISO-00 /011 R

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DRAFTED BY: AF/E:PGSMITH

APPROVED BY: AF/E:JDWHITING

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FM SECSTATE WASHDC

TO AMEMBASSY LUSAKA

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FOLLOWING REPEAT STATE 056408 SENT ACTION KINSHASA 06 MAR 78

QUOTE LIMITED OFFICIAL USE STATE 056408

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Message Attributes

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Draft Date: 06 mar 1978
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ISecure: 1
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Review Media Identifier:
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TAGS: EMIN, SOPN, CG, ZA, PE
To: KINSHASA
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